



C R Chadwick
March 25th
THE INCOME TAX
AND
THE AVERAGE MAN
1920

ROYAL SECURITIES CORPORATION
LIMITED



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THE INCOME TAX AND THE AVERAGE MAN

ROYAL SECURITIES CORPORATION
LIMITED
MONTREAL

TORONTO

HALIFAX

ST. JOHN

LONDON, ENG.



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THE INCOME TAX AND THE AVERAGE MAN

Introduction

THE Income Tax law of Canada (amended in 1919) affects a very large number of Canadians, ranging from the rank of the highly paid skilled workman and persons of moderate income to those whose incomes amount to very many thousands of dollars.

It applies to women as well as to men, and equally in every respect.

It is enforced by rigid Government inspection and by penalties of a severe nature imposed for non-compliance with the law.

While it is impossible for those subject to the tax to evade paying the amount due under the law, it is possible for those unacquainted with that law to pay more than is really required. The taxpayer, therefore, should clearly understand the Act and make clear his or her position as regards income when making return to the Government, so that excess taxes will not be paid through ignorance or misunderstanding on the part of the taxpayer.

The Canadian Income Tax law has been so short a time in operation that its interpretation and method of application to the income of the average Canadian is not as clearly understood as it should be in view of its far-reaching effect on the annual incomes of the people.

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This booklet, therefore, is issued with a view to enabling the reader to find, with a minimum of trouble, his or her true position under the Act and to guide himself or herself accordingly in regard to revenue and expenditure for 1919. It must be remembered that this booklet applies only to this year's (1919) income, and not to 1918. The tax for 1919 is payable in 1920.

Royal Securities Corporation is, of course, qualified and equipped to handle, free of charge and without obligation, Income Tax problems for any persons desiring to be relieved of the responsibility.

Statements in this book are based on the Income Tax Act including the 1919 amendments, and upon interpretations which have been issued from time to time by the Income Tax officials.

General Explanation

FOR most people, persons of moderate income especially, the application of the law is very simple. Their tax is merely the Normal Tax. They need to read only the black figures in the following table, beginning on page 10.

For persons having income above a certain point a Surtax applies, and the Normal Tax is increased, but even these are not serious complications. So long as the taxpayer derives no revenue from the

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dividends of Canadian companies having an annual net profit in excess of \$2,000, he need only add up his income, deduct any of the small amounts which are deductible from certain kinds of income (see Part II of the book), find the total in the left-hand column of the table beginning on page 10, and add together the red and the black figures in the column which applies to him.

Exemptions for the purpose of the Normal Tax only are allowed according to the family obligations of the taxpayer. These are taken into account in the table and explained fully, beginning on page 4.

The persons needing to proceed with particular care are those receiving dividends from shares in Canadian companies having a net annual profit in excess of \$2,000. These dividends are *not* taxable under the Normal Tax and, if your total income is below \$5,000, they are not taxable at all; but the Surtax (on all incomes over \$5,000) *does* apply to them, and the most reliable method of reckoning the total tax is to make up sums as described in detail on pages 7 and 8.

NORMAL TAX.

Taking first his Normal Taxable Income (Income subject to Normal Tax), the taxpayer pays on the difference between the amount of his Normal Tax

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Exemption (see last paragraph page 4; and also pages 5, 6 and 7), and \$6,000 per annum, a tax of 4%.

On that part of his Normal Taxable Income above \$6,000 per annum, he pays 8%.

SURTAX.

Beginning with whatever portion of his Surtax Income (Income subject to Surtax) which exceeds \$5,000, but not in excess of \$6,000, the taxpayer pays 1%; above \$6,000, but not in excess of \$8,000, 2%; \$8,000 to \$10,000, 3%; and so on. For full details and table of these rates see page 27.

Table of Taxes for Various Incomes

HOW TO USE THE TABLE.

To find your Income Tax in the following table, proceed as follows:

I. Observe in which one of the following classes you belong under the law. (*Each class has a different income exemption for the purposes of the 4% Normal Tax, and these exemptions are allowed for in the calculations in each column of the table beginning on page 10.*)

A—A single person, male or female, with no dependents of the kinds described in class A1. (Exemption \$1,000.)

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- A1—A single person having to support a dependent parent or parents, grandparent or grandparents. (Exemption \$2,000.)
- B—A married person (see Note 1) with no dependent children—that is, no children under 21 years of age and dependent on the parents for support, or over 21 years of age, if mentally or physically incapacitated. (Exemption \$2,000.)
- B1—A married person with *one* child under 18 years of age who is dependent on that person for support. (Exemption \$2,200.)
- B2—A married person with *two* children under 18 years of age who are dependent on that person for support. (Exemption \$2,400.)
- B3—A married person with *three* children under 18 years of age who are dependent on that person for support. (Exemption \$2,600.)
- B4—A married person with *four* (see Note 2 on page 6) children under 18 years of age who are dependent on that person for support. (Exemption \$2,800.)
- C—A widow or widower without dependents. (Exemption \$1,000.)

NOTE 1: Where a wife has a private income not derived from her husband, she is considered as a person separate and distinct from her husband as to income, and she reports her income just as he reports his—except that both cannot receive

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- C1—A widower or widow with dependents as described in A1 above or with a child or children under 21 years of age and over 18 years of age. (Exemption \$2,000.)
- D1—A widower or widow with *one* dependent child under 18 years of age. (Same as B1 above.)
- D2—A widower or widow with *two* dependent children under 18 years of age. (Same as B2 above.)
- D3—A widower or widow with *three* dependent children under 18 years of age. (Same as B3 above.)
- D4—A widower or widow with *four* dependent children under 18 years of age. (Same as B4 above.)

NOTE 2: For each additional child under 18 years of age who is dependent on the taxpayer for support, \$200 exemption is allowed under the Normal Tax. Persons covered by the table having more than the four children therein referred to need only deduct \$8.00 from their total Income Tax for each child beyond the fourth.

(Note 1—Continued from page 5)

the \$200 extra exemption per child: one must take that exemption and the other must report as having no child, or children.

In the Province of Quebec, where old French law prevails, and where the wife's property or income is legally her husband's, unless otherwise arranged in the marriage contract, she is not considered as a person separate and distinct as to income unless by the terms of the marriage contract they are made "separate as to property." In that case they are on the same basis as married persons in other Provinces whose individual property and income are always treated as separate and

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E1—A single person having to support *one* dependent brother or sister under 18 years of age. (Same as B1 above.)

E2—A single person having to support *two* dependent brothers or sisters under 18 years of age. (Same as B2 above.)

E3—A single person having to support *three* dependent brothers or sisters under 18 years of age. (Same as B3 above.)

E4—A single person having to support *four* dependent brothers or sisters under 18 years of age. (Same as B4 above.)

II. Write down the amount of your income from salary; the amount from investment in bonds; the amount from mortgages or stocks, or bank interest, etc.

III. Read the paragraph—these paragraphs commence on page 32—relating to each of these classes of income, and deduct from each the amount, if any, which that paragraph says you may deduct.

IV. Now, if you have any income from the dividends of Canadian companies which companies are paying income tax—that is, any company having

(Note 1—Concluded)

distinct. In the case of persons married in Quebec in the ordinary way—that is, without property or income distinction, the husband alone reports the total income, including his wife's. No separate exemption on her account is allowed. On their combined income a total Personal Exemption as for one person only is allowed.

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an annual net profit of more than \$2,000—make up two sums as follows:

1. The sum of all these items (= Surtax Income).
2. The same sum, less these dividends (= Normal Tax Income).

The first of these is your income for the purpose of the Surtax only. To find what you must pay as Surtax, run your pencil down the left-hand column of table beginning on page 10 to the figure which represents sum No. 1. Then run your pencil across on the red figures to the column which represents YOU—remember the key to the symbols at the tops of the columns begins on page 4. The *red* figure in this column is the amount of your Surtax.

The second sum—that is, Surtax Income *minus* the dividends referred to—is your Normal Tax Income. To find what you must pay as Normal Tax, run your pencil down the left-hand column to the figure which represents this Normal Tax Income; then across to the column which represents you—the black figure is the amount of your Normal Tax.

V. Add the two taxes thus indicated together—Normal plus Surtax. This is your total tax.

But—

VI. If you have no dividends from your shares in Canadian companies of the kind referred to, you need only add up one sum—the sum of all your income

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as referred to in paragraphs I and II. This sum in this case represents both the Normal Tax and the Surtax Income. Run your pencil down the left-hand column as far as this amount; run it across on the line of black figures, or red, to the column which represents you. The black figures show your Normal Tax, and the red figures show your Surtax. Add them and you have your tax.

EXAMPLE:

I am a married man with one child under 18 years of age, and have a salary of \$3,500 and Canadian dividends, from companies which pay Income Tax, amounting to \$2,000. My Surtax Income is, therefore, \$5,500, and my Surtax is shown in red figures on the \$5,500 line in Column B1—\$5.00. My Normal Tax Income is $\$5,500 - \$2,000 = \$3,500$. My Normal Tax is shown in black figures on the \$3,500 line, in column B1 —\$52.00. Total tax, $\$52 + \$5 = \$57$.

EXAMPLE:

I am a married man with two children under 18 years of age, \$6,000 salary, and \$100 income from interest on a mortgage. My Normal Tax Income is \$6,100 and my Surtax Income is \$6,100. My two taxes are shown on the \$6,100 line in column B2; Normal Tax in black, Surtax in red. My tax is, therefore, $\$152 + \$12 = \$164.00$.

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TABLE OF INCOMES AND TAXES.

Black figures show Normal Tax. Red figures show Surtax.

NOTE: If your income includes Canadian dividends, read preceding instructions, so as to calculate Surtaxable Income separately from Normal Taxable Income.

NOTE 2: If your exact income does not fall precisely on any of the Incomes shown in this table, turn to page 23, which deals with incomes of special and odd amounts.

INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
Up to \$1,000	8	8	8	8	8	8	8	8	8

1,001	.04	....	....	....	....	....	....	.04	....

1,100	4	....	....	....	....	....	....	4	....

1,200	8	....	....	....	....	....	....	8	....

1,300	12	....	....	....	....	....	....	12	....

1,400	16	....	....	....	....	....	....	16	....

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.

For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
\$1,500	\$ 20	\$	\$	\$	\$	\$	\$	\$ 20	\$

1,600	24	.....	.....	.....	.....	.....	.....	24	.....

1,700	28	.....	.....	.....	.....	.....	.....	28	.....

1,800	32	.....	.....	.....	.....	.....	.....	32	.....

1,900	36	.....	.....	.....	.....	.....	.....	36	.....

2,000	40	.....	.....	.....	.....	.....	.....	40	.....

2,100	44	4	4	.....	.....	.....	.....	44	4

2,200	48	8	8	.....	.....	.....	.....	48	8

2,300	52	12	12	4	.....	.....	.....	52	12

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
\$2,400	\$ 36	\$ 16	\$ 16	\$ 8	\$	\$	\$	\$ 56	\$ 16
2,500	60	20	20	12	4	....	....	60	20
2,600	64	24	24	16	8	....	....	64	24
2,700	68	28	28	20	12	4	....	68	28
2,800	72	32	32	24	16	8	....	72	32
2,900	76	36	36	28	20	12	4	76	36
3,000	80	40	40	32	24	16	8	80	40
3,100	84	44	44	36	28	20	12	84	44
3,200	88	48	48	40	32	24	16	88	48

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	
\$3,300	\$ 92	\$ 52	\$ 52	\$ 44	\$ 36	\$ 28	\$ 20	\$ 92	
3,400	96	56	56	48	40	32	24	96	
3,500	100	60	60	52	44	36	28	100	60
3,600	104	64	64	56	48	40	32	104	64
3,700	108	68	68	60	52	44	36	108	68
3,800	112	72	72	64	56	48	40	112	72
3,900	116	76	76	68	60	52	44	116	76
4,000	120	80	80	72	64	56	48	120	80
4,100	124	84	84	76	68	60	52	124	84

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.

For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$4,200	128	88	88	80	72	64	56	128	88

4,300	132	92	92	84	76	68	60	132	92

4,400	136	96	96	88	80	72	64	136	96

4,500	140	100	100	92	84	76	68	140	100

4,600	144	104	104	96	88	80	72	144	104

4,700	148	108	108	100	92	84	76	148	108

4,800	152	112	112	104	96	88	80	152	112

4,900	156	116	116	108	100	92	84	156	116

5,000	160	120	120	112	104	96	88	160	120

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
55,001	160.04	120.04	120.04	112.04	104.04	96.04	88.04	160.04	120.04
	.01	.01	.01	.01	.01	.01	.01	.01	.01
5,100	164	124	124	116	108	100	92	164	124
	1	1	1	1	1	1	1	1	1
5,200	168	128	128	120	112	104	96	168	128
	2	2	2	2	2	2	2	2	2
5,300	172	132	132	124	116	108	100	172	132
	3	3	3	3	3	3	3	3	3
5,400	176	136	136	128	120	112	104	176	136
	4	4	4	4	4	4	4	4	4
5,500	180	140	140	132	124	116	108	180	140
	5	5	5	5	5	5	5	5	5
5,600	184	144	144	136	128	120	112	184	144
	6	6	6	6	6	6	6	6	6
5,700	188	148	148	140	132	124	116	188	148
	7	7	7	7	7	7	7	7	7

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.

For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	£	\$	\$	\$	\$	\$	\$
\$5,800	192	152	152	144	136	128	120	192	152
	8	8	8	8	8	8	8	8	8
5,900	196	156	156	148	140	132	124	196	156
	9	9	9	9	9	9	9	9	9
6,000	200	160	160	152	144	136	128	200	160
	10	10	10	10	10	10	10	10	10
6,001	200.08	160.08	160.08	152.08	144.08	136.08	128.08	200.08	160.08
	10.02	10.02	10.02	10.02	10.02	10.02	10.02	10.02	10.02
6,100	208	168	168	160	152	144	136	208	168
	12	12	12	12	12	12	12	12	12
6,200	216	176	176	168	160	152	144	216	176
	14	14	14	14	14	14	14	14	14
6,300	224	184	184	176	168	160	152	224	184
	16	16	16	16	16	16	16	16	16
6,400	232	192	192	184	176	168	160	232	192
	18	18	18	18	18	18	18	18	18

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.

For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$6,500	240	200	200	192	184	176	168	240	200
	20	20	20	20	20	20	20	20	20
6,600	248	208	208	200	192	184	176	248	208
	22	22	22	22	22	22	22	22	22
6,700	256	216	216	208	200	192	184	256	216
	24	24	24	24	24	24	24	24	24
6,800	264	224	224	216	208	200	192	264	224
	26	26	26	26	26	26	26	26	26
6,900	272	232	232	224	216	208	200	272	232
	28	28	28	28	28	28	28	28	28
7,000	280	240	240	232	224	216	208	280	240
	30	30	30	30	30	30	30	30	30
7,100	288	248	248	240	232	224	216	288	248
	32	32	32	32	32	32	32	32	32
7,200	296	256	256	248	240	232	224	296	256
	34	34	34	34	34	34	34	34	34

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$7,300	304	264	264	256	248	240	232	304	264
	36	36	36	36	36	36	36	36	36
7,400	312	272	272	264	256	248	240	312	272
	38	38	38	38	38	38	38	38	38
7,500	320	280	280	272	264	256	248	320	280
	40	40	40	40	40	40	40	40	40
7,600	328	288	288	280	272	264	256	328	288
	42	42	42	42	42	42	42	42	42
7,700	336	296	296	288	280	272	264	336	296
	44	44	44	44	44	44	44	44	44
7,800	344	304	304	296	288	280	272	344	304
	46	46	46	46	46	46	46	46	46
7,900	352	312	312	304	296	288	280	352	312
	48	48	48	48	48	48	48	48	48
8,000	360	320	320	312	304	296	288	360	320
	50	50	50	50	50	50	50	50	50
8,001	360.08	320.08	320.08	312.08	304.08	296.08	288.08	360.08	320.08
	50.03	50.03	50.03	50.03	50.03	50.03	50.03	50.03	50.03

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
\$8,100	368 53	328 53	328 53	320 53	312 53	304 53	296 53	368 53	328 53
\$8,200	376 56	336 56	336 56	328 56	320 56	312 56	304 56	376 56	336 56
\$8,300	384 59	344 59	344 59	336 59	328 59	320 59	312 59	384 59	344 59
\$8,400	392 62	352 62	352 62	344 62	336 62	328 62	320 62	392 62	352 62
\$8,500	400 65	360 65	360 65	352 65	344 65	336 65	328 65	400 65	360 65
\$8,600	408 68	368 68	368 68	360 68	352 68	344 68	336 68	408 68	368 68
\$8,700	416 71	376 71	376 71	368 71	360 71	352 71	344 71	416 71	376 71
\$8,800	424 74	384 74	384 74	376 74	368 74	360 74	352 74	424 74	384 74
\$8,900	432 77	392 77	392 77	384 77	376 77	368 77	360 77	432 77	392 77

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$7,000	440 80	400 80	400 80	392 80	384 80	376 80	368 80	440 80	400 80
9,100	448 83	408 83	408 83	400 83	392 83	384 83	376 83	448 83	408 83
9,200	456 86	416 86	416 86	408 86	400 86	392 86	384 86	456 86	416 86
9,300	464 89	424 89	424 89	416 89	408 89	400 89	392 89	464 89	424 89
9,400	472 92	432 92	432 92	424 92	416 92	408 92	400 92	472 92	432 92
9,500	480 95	440 95	440 95	432 95	424 95	416 95	408 95	480 95	440 95
9,600	488 98	448 98	448 98	440 98	432 98	424 98	416 98	488 98	448 98
9,700	496 101	456 101	456 101	448 101	440 101	432 101	424 101	496 101	456 101
9,800	504 104	464 104	464 104	456 104	448 104	440 104	432 104	504 104	464 104

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$ 9,900	512	472	472	464	456	448	440	512	472
	107	107	107	107	107	107	107	107	107
10,000	520	480	480	472	464	456	448	520	480
	110	110	110	110	110	110	110	110	110
10,001	520.04	480.04	480.04	472.04	464.04	456.04	448.04	520.04	480.04
	110.04	110.04	110.04	110.04	110.04	110.04	110.04	110.04	110.04
15,000	920	880	880	872	864	856	848	920	880
	350	350	350	350	350	350	350	350	350
20,000	1320	1280	1280	1272	1264	1256	1248	1320	1280
	710	710	710	710	710	710	710	710	710
25,000	1720	1680	1680	1672	1664	1656	1648	1720	1680
	1200	1200	1200	1200	1200	1200	1200	1200	1200
30,000	2120	2080	2080	2072	2064	2056	2048	2120	2080
	1810	1810	1810	1810	1810	1810	1810	1810	1810
35,000	2520	2480	2480	2472	2464	2456	2448	2520	2480
	2550	2550	2550	2550	2550	2550	2550	2550	2550

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
 For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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INCOME	SINGLE PERSONS		MARRIED PERSONS					WIDOWED PERSONS	
	A	A1	B	B1	B2	B3	B4	C	C1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$40,000	2920 3410	2880 3410	2880 3410	2872 3410	2864 3410	2856 3410	2848 3410	2920 3410	2880 3410
45,000	3320 4400	3280 4400	3280 4400	3272 4400	3264 4400	3256 4400	3248 4400	3320 4400	3280 4400
50,000	3720 5510	3680 5510	3680 5510	3672 5510	3664 5510	3656 5510	3648 5510	3720 5510	3680 5510
60,000	4520 8110	4480 8110	4480 8110	4472 8110	4464 8110	4456 8110	4448 8110	4520 8110	4480 8110
70,000	5320 11210	5280 11210	5280 11210	5272 11210	5264 11210	5256 11210	5248 11210	5320 11210	5280 11210
80,000	6120 14810	6080 14810	6080 14810	6062 14810	6064 14810	6056 14810	6048 14810	6120 14810	6080 14810
90,000	6920 18910	6880 18910	6880 18910	6872 18910	6864 18910	6856 18910	6848 18910	6920 18910	6880 18910
100,000	7720 23510	7680 23510	7680 23510	7672 23510	7664 23510	7656 23510	7648 23510	7720 23510	7680 23510

For D1, D2, D3, etc., read same figures as for B1, B2, B3, etc.
For E1, E2, E3, etc., read same figures as for B1, B2, B3, etc.

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Taxes on Special Incomes or Incomes of Odd Amounts

Persons having incomes not shown in the table beginning on page 10 may proceed as follows:

Follow the instructions in paragraphs I, II, III, IV and V.

Take care, if you have dividends from companies in Canada earning \$2,000 or more net profits per annum, which themselves pay Income Tax, to keep them out of your Normal Tax Income.

Now fill in the blanks in the table beginning on the following page, using of course only that column which describes you (see pages 4, 5, 6 and 7).

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Table for Calculating Special Incomes

1st—NORMAL TAX INCOME \$.....

	A	A1	B	B1	B2	B3	B4	C	C1
	1000	2000	2000	2200	2400	2600	2800	1000	2000
Exemption on account of domestic status.....	....	....	....	....	....	....	....	....	....
Amount above foregoing Exemption but not above \$6,000.....	....	....	....	....	....	....	....	....	....
4% of this amount									
Amount, if any, above \$6,000 of Normal Tax Income.....	....	....	....	....	....	....	....	....	....
8% of this amount.....									
Total Normal Tax.....	....	....	....	....	....	....	....	....	....

Table for Calculating Special Incomes

2nd-SURTAX INCOME \$.....

	A	A1	B	B1	B2	B3	B4	C	C1
Exemption.....	5000	5000	5000	5000	5000	5000	5000	5000	5000
Amount, if any, of Surtax Income above foregoing Exemption but not over \$6,000.....
1% of this amount.....
Amount, if any, of Surtax Income above \$6,000 but not above \$8,000...
2% of this amount.....
Amount, if any, of Surtax Income above \$8,000 but not above \$10,000.
3% of this amount.....
Amount, if any, of Surtax Income between \$10,000 and \$12,000.....

Table for Calculating Special Incomes

2nd--SURTAX INCOME \$.....Continued

	A	A1	B	B1	B2	B3	B4	C	C1
4% of this amount
Amount, if any, of Surtax Income between \$12,000 and \$14,000.....
5% of this amount

and so on.--Each additional \$2,000 comes under a Surtax of 1% higher than the last one up to incomes of \$100,000. Beyond that point special rates apply. See following section.

THE INCOME TAX AND THE AVERAGE MAN

Short Cut for Special Surtax Incomes

A SHORT CUT for calculating Surtax on a large income may be taken by reference to the following table:

Find in the first column of this table the amount *next lower* than your Surtax Income. Note, in the second column, the amount of Surtax due on that sum. Now, if you have left an odd amount, say \$210, figure the percentage on that amount at the rate indicated in the third column, for income in that category. Add this to your first sum. This is your Surtax.

EXAMPLE:

Surtaxable Income, \$27,509.

Taxes shown for \$26,000 Income in column 2,
\$1,310.

Remainder still untaxed = \$27,509 - \$26,000 =
\$1,509.

Surtaxable rate on this part of the Income = 12%.

Tax = \$181.08.

Total Tax = \$1,491.08.

Surtax Income Table*

Surtax Income		Tax
up to		
\$ 5,000.....	Nil	Nil
6,000.....	10	1%
8,000.....	50	2%

*See Note 3, page 29.

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Surtax Income

up to		Tax
10,000.....	110	3%
12,000.....	190	4%
14,000.....	290	5%
16,000.....	410	6%
18,000.....	550	7%
20,000.....	710	8%
22,000.....	890	9%
24,000.....	1,090	10%
26,000.....	1,310	11%
28,000.....	1,550	12%
30,000.....	1,810	13%
32,000.....	2,090	14%
34,000.....	2,390	15%
36,000.....	2,710	16%
38,000.....	3,050	17%
40,000.....	3,410	18%
42,000.....	3,790	19%
44,000.....	4,190	20%
46,000.....	4,610	21%
48,000.....	5,050	22%
50,000.....	5,510	23%
52,000.....	5,990	24%
54,000.....	6,490	25%
56,000.....	7,010	26%
58,000.....	7,550	27%
60,000.....	8,110	28%
62,000.....	8,690	29%
64,000.....	9,290	30%
66,000.....	9,910	31%
68,000.....	10,550	32%
70,000.....	11,210	33%
72,000.....	11,890	34%

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Surtax Income up to		Tax
74,000.....	12,590	35%
76,000.....	13,310	36%
78,000.....	14,050	37%
80,000.....	14,810	38%
82,000.....	15,590	39%
84,000.....	16,390	40%
86,000.....	17,210	41%
88,000.....	18,050	42%
90,000.....	18,910	43%
92,000.....	19,790	44%
94,000.....	20,690	45%
96,000.....	21,610	46%
98,000.....	22,550	47%
100,000.....	23,510	48%
150,000.....	49,510	52%
200,000.....	77,510	56%
300,000.....	137,510	60%
500,000.....	263,510	63%
1,000,000.....	583,510	64%
On the amount over \$1,000,000.....		65%

Note 3: Column 1 shows the amount of Income for the purposes of the Surtax.

Column 2 shows, in dollars, the TOTAL amount of Surtax payable on the Surtax Income shown on each line.

Column 3 shows the various Surtax percentage rates. Each part of your Surtax Income is covered by a different percentage. Thus the 1% rate applies on whatever lies over \$5,000, but not over \$6,000; the 2% rate on whatever lies over \$6,000, but not over \$8,000, and so on. Each percentage rate shown in Column 3 applies only to that part of the Surtax Income lying between the amount shown on that line, in Column 1, and the amount immediately above in the same column.



Part II.
DEDUCTIONS ALLOWED
FROM
CERTAIN INCOMES

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INCOMES FROM

SALARIES OR WAGES (LESS ANY AMOUNT HELD BACK BY THE EMPLOYER FOR SUPERANNUATION OR PENSION PURPOSES);

PROFESSIONAL FEES (LESS ACTUAL OFFICE COSTS);

TRADESMAN'S PROFITS (LESS TRADING EXPENSES CHARGEABLE ON HIS BUSINESS);

COMMISSIONS (LESS COSTS OF DOING BUSINESS) — ("STOCK BROKERS" SEE PAGE 37);

NET PROFITS (ON A PERSONALLY CONDUCTED BUSINESS, AFTER CHARGING EXPENSES OF THAT BUSINESS);

are all taxable.

INCOME IN THE FORM OF

INTEREST ON SAVINGS ACCOUNTS IN BANKS, TRUST COMPANIES, POSTAL SAVINGS BANKS OR OTHER SIMILAR REPOSITORIES;

whether received or credited to your account, must be considered in the same way as Taxable Income for the purposes of both the Normal Tax and Surtax. It must be set down as such.

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INCOME IN THE FORM OF PENSIONS

If the pension was granted to a member of any of his Britannic Majesty's Military, Naval or Air Forces in the war of 1914-1918, or to any dependent relative of such person, such as a wife or widow, child or parent, then this pension is not taxable either under Normal or Surtax.

If the pension comes from any other Government or any other source, it is like salary, taxable.

INCOME ON RENTS

Set down your total income from rents.

Deduct what you pay in Municipal Taxes on this property, insurance, repairs, bad debts (delinquent tenants), and an amount for yearly depreciation as follows:

Brick or brick veneer building.....	2½%
Wooden building.....	5%
Stone or concrete building.....	2%
You may deduct also the carrying charges (interest	

NOTE: If you are living in a house owned by you, you do not need to count as "Income" the rent which, in theory, you are remitting to yourself. But, since you are not taxed on this theoretical piece of "Income," you must *Not* deduct from your actual income the money paid for taxes, insurance, repairs and depreciation on your residence, as you would if you were receiving rent for the house from a second party.

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on Borrowed money, taxes, etc.) on any vacant property, either buildings or land, from your income from rents.

Income you have left is taxable.

INCOME FROM MORTGAGE

Income from the interest on Mortgages—but not any payment on principal, of course—is taxable for the purposes of both Normal and Surtax.

INCOME FROM INTEREST ON MONEY LOANED ON NOTES, OR ANY SECURITY NOT OTHERWISE DESCRIBED IN THIS BOOKLET

must be considered in the same way as interest on a mortgage. The interest is taxed, not any payment on principal.

GIFTS, LEGACIES OR BEQUESTS UNDER WILLS

The principal amount of the legacy, bequest or gift is not income, but any payment from the income of an estate or anything which it may earn when invested by you is income and is liable to pay taxes.

A SHARE IN AN ESTATE

A principal share in an estate is not liable under the Act, but the income from that share—no matter whether it has been redistributed or is still held by

THE INCOME TAX AND THE AVERAGE MAN

the executors—is liable, unless the share consists of tax-exempt securities. Executors are required by law to report their payments of income to heirs or other beneficiaries. The heir or beneficiary must pay the tax, not the executor.

MONEY RECEIVED BY THE BENEFICIARY OF A LIFE INSURANCE POLICY

is Principal, not Income. It is not taxed. But money received as interest or other earnings on such Principal when invested by you or by the executors is Income, and taxable under both Normal and Surtax. In the case of so-called "dividends" or rebates, or refunds to insurance policy holders, this is not regarded as Income. It is not taxable.

INCOME FROM THE INTEREST ON BONDS

Victory Bonds issued by the Dominion of Canada in the years 1917 and 1918, as well as former War

NOTE: The 1919 Victory Loan bonds are not, as in the case of former War Loan issues, tax-free, owing to the decision of the Government to cancel what was considered in some quarters as an undue advantage allowed to the rich man in purchasing such bonds. It is sometimes necessary to remind bond purchasers that the tax is not *on the principal amount of the bond or bonds he owns*, but on the amount of *interest* they pay him. To any but persons of very considerable wealth, the difference in the net return on a taxable and on a non-taxable Victory Bond is negligible.

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Loan issues, were issued as free from taxes of the Dominion of Canada. Present and future revenue from such bonds is not counted as Taxable Income, either for the purpose of Normal Tax or for Surtax.

Revenue in the form of *interest* on all other *bonds* is liable for the purposes of both Normal Tax and Surtax.

EXAMPLE:

I am married; one child under 18 years of age; salary \$2,400; I own \$800 worth of the 1919 Victory Bonds, bringing me an annual interest of \$44.00. My personal exemption for the purposes of the Normal Tax (see page 5) is \$2,200. As my total Normal Tax Income is $\$2,400 + \$44.00 = \$2,444$, I pay the 4% Normal Tax on $\$2,444 - \$2,200 = \$244$. This at 4% amounts to \$9.76. Observe: I do not pay 4% on the \$800 worth of bonds, but on the \$44.00 worth of interest, and that part of my tax incurred on account of the bonds is only \$1.76. Not having \$5,000 income, I pay no Surtax.

If my salary had been less than \$2,156, I would have paid no Income Tax whatever, as the interest on my \$800 worth of bonds (\$44.00) would not have raised my income above the amount of my exemption as a married man with one child (B1, page 5).

THE INCOME TAX AND THE AVERAGE MAN

MONEY MADE BY FORTUNATE SPECULATION

If you buy a house, or shares of stock, or land, or bonds, at a low price and sell at a high price, and if this is not your regular means of livelihood*, your profit is considered as Principal, not Income. No tax.

But if between the time you buy and the time you sell, you receive rent on the house, or dividends on the stock, or rent on the land, or interest on the bonds (provided they are not Victory Bonds of 1917 and 1918 or former issues), such money is Income. You may, however, deduct from it any taxes, insurance or repairs made on the house, or interest on any unpaid balance due on the stock or land, or bonds you have bought. The tax, Normal and Surtax, applies against your net income from your property in the interval between buying and selling. If the carrying charges are more than the gross income from each of these different classes of investment, you may NOT take this loss off the income from your business or occupation.

BROKERS AND PROFESSIONAL SPECULATORS

The earnings of brokers and others engaged daily in such speculative transactions *are* taxable, however, as regards such profits.

*See "Brokers and Professional Speculators," on this page.

PARTNERSHIPS

Partnerships do not pay Income Taxes as such. The partners pay as individuals on their salary or fees, and on other net profits from the partnership.

A most important fact in connection with partnerships is this: Any man who is a partner may—to understand the idea graphically—consider himself as two taxpayers and make two acts of separate calculation throughout. First, let him take his entire income from all sources. He now calculates Normal and Surtax, if any, in the usual way, allowing himself the usual statutory exemption. Second, let him take all income which is not included in the net profits of the partnership and taxed under the Business Profits War Tax Act. He now calculates Normal and Surtax on this income in the usual way, allowing himself the usual statutory exemption. The difference between the two above calculations gives the amount of income tax calculated on the profits of the partnership.

Now if the taxpayer's proportion of the Business Profits War Tax is greater than the income tax on his share of the profits of the business, such profits are disregarded for income tax purposes, and his tax would be payable on income as calculated in the second operation above. If the taxpayer's proportion of the Business Profits War Tax is smaller than

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the income tax calculated on his share of the profits of the partnership, he simply deducts the amount of Business Profits War Tax paid, from the income tax calculated on his entire income, and the difference is the amount of his Income Tax. He pays Normal and Surtax, if any, in the usual way on that income from the partnership, allowing himself the usual exemptions.

THE PRIVATE INCOME OF A WIFE

If a wife have means of her own, not received from her husband, it is suggested that application be made to the Inspector of Taxation for a ruling. (See footnote on pages 5, 6 and 7.)

NON-RESIDENTS

Non-residents of Canada are liable if they are partners in, or sole proprietors of, a business carried on in Canada, if they are owners of revenue-producing real estate in Canada, or if they receive a salary or directors' fees or other emoluments for personal services, any part of which is performed in Canada. A man who is a non-resident of Canada, but receives bond interest or dividends from Canada, is NOT liable to the tax.

Any man who spends over six months in Canada in a year and then goes away, say, to the United States in the course of his business for the balance of the year, is subject to this tax.

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ANNUAL RETURNS

Every person liable to taxation shall make a return to the Commissioner of Taxation on or before the 30th April in each year (that is, April 30th, 1920, for income received this year—1919), and the tax is payable within one month of the day on which the Income Tax Inspector mails to the taxpayer the notice of his assessment.

PENALTY FOR NOT MAKING RETURN

Any taxpayer failing to make return within the time prescribed shall be subject to penalty of 25% of amount of tax payable, and every other person who is required to make a return shall be subject to a penalty of \$100 for each day during which the default continues.

PENALTY FOR NOT PAYING THE TAX

A taxpayer failing to pay the tax within the time specified (one month, see paragraph "Annual Returns" above) must pay a 6% penalty on the overdue tax if paid during the second month, a 7% penalty if paid during the third month, an 8% penalty if paid during the fourth month, and so on.

APPEAL

Any person objecting to the amount at which he is assessed may appeal within twenty days after date of

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mailing of the notice of his assessment in writing to the Minister of Finance. The Minister, however, may in his discretion give the taxpayer further time in which to appeal.

Income from Dividends

There are two kinds of dividends from Canadian concerns:

(a).—Very unusual Dividends from companies whose net annual profit is \$2,000 or less. Such companies are not themselves liable to pay Income or Business Profits Taxes. The shareholder, if he receives anything, must pay the tax. His dividends of this kind are like salary or wages, liable under the Normal Tax and the Surtax.

(b).—Usual Dividends from companies whose net annual earnings are over \$2,000, and which companies themselves are therefore subject to Income or Business Profits Taxes.

These dividends are not liable under the Normal Tax and are not counted in as Normal Taxable Income, but they are taxable under the Surtax and must be included in Surtax Income.

If your entire revenue is from these dividends, you pay no Normal Tax and you are not concerned with personal exemption or allowances for children. You

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have then one exemption—\$5,000. If your dividends pay you less than that you pay no Income Tax whatever.

If part of your revenue is from these dividends and part from ordinary sources, as described in the preceding pages, and if the two together do not total more than \$5,000, then you pay no tax of any kind on these dividends. You need take, then, only the balance of your income, subtract your Normal Tax exemption, and pay 4% Normal Tax on the sum thus arrived at.

EXAMPLE 1:

Jones is married; one child under 18 years of age; salary \$3,000; taxable bonds and bank interest \$100; dividends \$1,900; total income \$5,000. There is no Surtax involved in this case. The dividends are ignored. Jones has his personal exemption of \$2,200 (B1, page 5). His tax is on $\$3,100 - \$2,200 = \$900$. The amount of the tax is \$36.00 (4%).

If part of your income is from these dividends and the total is *over* \$5,000, you become liable to the Surtax on whatever Surtax Income exceeds \$5,000.

EXAMPLE 2:

Same man; same revenue except that his dividends are, say, \$1,910. Total income \$5,010. He is now

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surtaxable. His Normal Tax remains the same, but he must pay 1% on \$10.00 = 10 cents. Total taxes, \$36.10.

Dividends are considered to have been received on the date on which the dividend notice says they are payable. Thus, if a dividend is declared in December, 1919, but payable only in February, 1920, the dividend should be treated as revenue for 1920—not 1919.

DIVIDENDS FROM CANADIAN COMPANIES OPERATING IN SOUTH AMERICA, MEXICO, OR ELSEWHERE

These dividends are taxable for both Normal and Surtax because the companies themselves are not taxable.

DIVIDENDS FROM BRITISH COMPANIES

The British Government's Income Tax has been taken off by the company, before sending the dividend cheque. Do not pay Canadian tax on these dividends.

DIVIDENDS FROM AMERICAN COMPANIES

Consult the Inspector of Taxation.

SERVICE

By Royal Securities Corporation, Limited

to its clients as individuals and as corporate bodies may be defined as follows:—

1. To furnish its prospective clients or others, through its Correspondence and Statistical Departments, information regarding securities, or on questions of a general business nature;
2. To post its clients on developments or changes in the financial, industrial, or general economic situation by means of its monthly and quarterly publications on such subjects;
3. To give impartial and expert advice on the value of any stock, bond, debenture or other security, and to examine and advise upon the holdings of any client;
4. To buy, or sell, securities or obtain investment information for its clients, through its widely distributed branch offices and its connections and correspondents throughout Canada, the United States of America, the British West Indies and Cuba;
5. To investigate, as expert accountants, appraisers and economists, the organization, business plans and business outlook of any industrial corporation issuing, or proposing to issue, securities;
6. To examine and appraise technically, through its own Engineering department, the plant or proposed plant of any such corporation;
7. To purchase with its own funds, after investigation, entire issues of Government, Provincial, Municipal and Corporation Bonds and Debentures—
8. And to market these issues.

